

**ST. GEORGE FIRE PROTECTION DISTRICT NO. 2
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA**

ANNUAL FINANCIAL REPORT

**As of and for the year ended
September 30, 2013**

(With Accountant's Report Thereon)

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date **APR 30 2014**

ST. GEORGE FIRE PROTECTION DISTRICT NO. 2
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA

Annual Financial Report
As of and for the year ended
September 30, 2013
With Supplemental Information Schedule

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MICHAEL K. GLOVER
CERTIFIED PUBLIC ACCOUNTANT
(A Professional Accounting Corporation)

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
St. George Fire Protection District No. 2
Baton Rouge, Louisiana

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities and fund information of St. George Fire Protection District No. 2, a component unit of the City of Baton Rouge, East Baton Rouge Parish, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise of St. George Fire Protection District No. 2 basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on the financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant and accounting estimates made by management, as well as evaluation the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and fund information of St George Fire Protection District No. 2 a component unit of the City of Baton Rouge, East Baton Rouge Parish, as of September 30, 2013, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

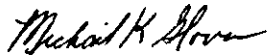
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management discussion, analysis and budgetary comparison, and the Schedule of Funding Progress for Other Post-Employment Benefit Plan as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although, not a part of the basic financial statements is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operation, economic, or historical context. I have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquires, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Audit Standards*, I have also issued my report dated April 7, 2014, on my consideration of St George Fire Protection District No. 2 internal control over financial reporting and my test of its compliance with certain provision of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering ST. George Fire Protection District No. 2 internal control over financial reporting and compliance.



Michael K Glover APAC
Baton Rouge, LA
April 7, 2014

**St. George Fire Protection District No. 2
Baton Rouge, Louisiana
Management's Discussion and Analysis
For the Year Ended September 30, 2013**

The District provides emergency services to a 70 square mile area of East Baton Rouge Parish. The District is located in the southern portion of East Baton Rouge Parish. It includes East Baton Rouge Parish outside of the city limits of Baton Rouge with the parish line being the boundary on the eastern, western and southern ends and Harrell's Ferry Road being the northern boundary. The population of the District is approximately 105,500 and there are approximately 27,000 structures. The District is a separate government body and is governed by an appointed board of five citizens. This section of the District's financial report represents our discussion and analysis of the District's financial performance during the fiscal year ended September 30, 2013.

The District has a total staff of 161 employees that provide fire protection and related services. This includes nine employees that provide administrative and office services.

The District continues to evaluate the fire protection needs in the District.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the St. George Fire Protection District No. 2's basic financial statements. The District's basic financial statements are comprised of four components: (1) government-wide financial statements, (2) fund financial statements, (3) notes to the financial statements, and (4) required supplemental information. Please read it in conjunction with the District's financial statements which begin on page 6.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the St. George Fire Protection District No. 2's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the St. George Fire Protection District No. 2's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the St. George Fire Protection District No. 2 is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of timing of related cash flows. Thus, the revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (for example, earned but unused sick leave).

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The St. George Fire Protection District No. 2, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also provides certain required supplementary information concerning the St. George Fire Protection District No. 2's performance and statistical information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The District's liabilities exceeded its assets by \$64,594 (net position), which represents a 42.7% increase from September 30, 2012. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The largest portion of the St. George Fire Protection District No. 2's net position reflects its investment in capital assets.

Capital assets of \$13,048,691 included eight fire stations as of September 30, 2013, improvements, firefighting and other equipment and furniture and fixtures, net of accumulated depreciation.

The District has a new administration facility under contract for \$3,494,000. The projected completion date is September of 2014. In addition to the administration facility, the District has a training tower that was substantially complete as of September 30, 2013.

The board has assigned \$4,435.225 for completion of the administration and training complex, including parking and site improvements.

The following provides a summary of the net position:

	<u>2013</u>	<u>2012</u>
Current and other assets	\$ 6,415,106	\$ 7,145,849
Capital Assets	<u>13,048,691</u>	<u>10,479,012</u>
Total Assets	<u>\$19,463,797</u>	<u>\$17,624,861</u>
Long-term Liabilities	15,232,292	13,692,089
Other liabilities	<u>4,296,099</u>	<u>4,045,514</u>
Total liabilities	<u>19,528,391</u>	<u>17,737,603</u>
Net Position:		
Invested in capital assets, net		
Of related debt	6,657,853	7,001,723
Restricted funds—assigned	4,435,225	0
Unrestricted	<u>(11,157,672)</u>	<u>(7,114,465)</u>
Total net position	<u>\$ (64,594)</u>	<u>\$ (112,742)</u>
Total liabilities and net position	<u>\$19,463,797</u>	<u>\$17,624,861</u>

The District receives a millage of 10 mills for general operation, 1.25 mills for salary and benefits, 1.25 mills for capital improvements and debt service, and 1.50 mills for capital improvements and debt service. These taxes, which represent 86.7% of total revenue, increased by \$384,255 or approximately 2.8% from the period ending September 30, 2013.

The following provides a summary of the changes in net position:

	<u>2013</u>	<u>2012</u>
Revenues:		
Property taxes	\$14,199,738	\$13,815,483
Service charges	1,107,290	1,091,691
Intergovernmental revenues	313,381	309,236
Other revenues	<u>746,529</u>	<u>423,663</u>

Total	<u>16,366,938</u>	<u>15,640,073</u>
Expenses	<u>16,318,790</u>	<u>15,560,110</u>
Increase (Decrease) in net position	48,148	79,963
Beginning net position	<u>(112,742)</u>	<u>(192,705)</u>
Ending net position	<u>\$ (64,594)</u>	<u>\$ (112,742)</u>

Some of the differences in revenues and expenditures between the current year and the prior year are as follows:

1. Property taxes increased by \$384,255 due to growth in the district and property value increases.
2. Other revenues increased by \$322,866 primarily due to a grant for \$194,850 and \$124,554 gain on disposal of assets.
3. Repairs and maintenance expense increased by \$103,050 due to additional repairs on fire trucks and equipment and the normal wear and tear during normal operations.
4. Interest expense decreased by \$75,722 due to a decrease in the amount of debt.
5. Insurance expense increased by \$50,907 due to an increase in fleet value and upgrade of coverage.
6. Supplies expense increased by \$46,737 due to inflation and replacement of small equipment items that are not part of capital assets.
7. Personnel services and benefits decreased by \$415,938 due to a decrease in the number of staff.
8. Depreciation expense increased by \$169,621 primarily due to the \$2,569,679 increase in capital assets during 2013 being depreciated.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The fund balance—governmental, include amounts constrained by the board for specific purposes in the amount of \$4,435,225.

Financial analysis of the changes in fund balance—governmental funds reflects the following highlights:

	<u>2013</u>	<u>2012</u>
Revenues		
Ad Valorem Taxes	\$14,162,795	\$13,815,483
Expenditures		
Personnel services and related benefits	\$12,955,872	\$12,548,291
Capital Outlay	\$ 3,588,984	\$ 1,073,938

BUDGETARY HIGHLIGHTS

The original budget was revised 3 times during the year. The revisions increased revenue by approximately \$140,339. Expenses were decreased by \$352,539. These revisions were made to more closely reflect expected revenues and expenses of the District.

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with final Positive/(Negative)</u>
Revenues	\$17,368,766	\$17,509,105	\$17,326,351	\$(182,754)
Expenses	22,795,446	22,442,907	20,781,040	1,661,867
Excess (Deficiency) of revenues				

over expenditures	(5,426,680)	(4,933,802)	(3,454,689)	1,479,113
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Expenses which were under budget were personnel services and related benefits, capital outlay, utilities, debt service and other expenses.

CAPITAL ASSETS

At September 30, 2013, the District had \$13,048,691 of capital assets, net of accumulated depreciation. These assets are comprised of land, buildings, firefighting equipment, office furniture and equipment, etc.

LONG-TERM DEBT

Governmental Accounting Standards Board (GASB) Statement No. 45, "Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions", was adopted during the year ended September 30, 2009. This standard establishes accounting standards for Post Retirement Benefits Other Than Pensions (OPEB). The standard requires accrual based accounting for the OPEB obligation rather than the pay-as-you-go method. There was an increase in the net OPEB obligation of \$924,185 for the current year. More detailed information is available in the notes to the financial statements.

Equipment was purchased under the master equipment lease agreement which provided additional financing during 2013 in the amount of \$2,220,4074. These leases are payable over 7 years with annual principal payments of \$350,670. The annual interest rates on these leases are 2.48% and 3.47%. See the note on long term liabilities in the footnotes to the financial statements.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. Any questions about this report or requests for additional information may be directed to Gerard C. Tarleton, Fire Chief, St. George Fire Protection District located at 14141 Airline Highway, Suite 1-H, Baton Rouge, La. 70817.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

ST. GEORGE FIRE PROTECTION DISTRICT NO. 2
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA
STATEMENT OF NET POSITION

Statement A

September 30, 2013

ASSETS

Cash and cash equivalents	\$ 6,244,215
Receivable (Note 4)	83,077
Capital assets - net of accumulated depreciation (Note 5)	13,048,691
Deposits	57,276
Prepaid loan fees	30,538
Total assets	<u>\$ 19,463,797</u>

LIABILITIES

Accounts payable	\$ 99,929
Salary benefits payable	332,320
Accrued interest	91,527
Long-term liabilities (Note 7):	
Due within one year	3,749,031
Due after one year	7,190,566
OPEB liability (Note 10)	8,065,018
Total liabilities	<u>19,528,391</u>

Net Positions

Invested in capital assets, net of related debt	6,657,853
Restricted funds - assigned	4,435,225
Unrestricted Net Position:	
General fund	(11,157,672)
Total Net Position	<u>\$ (64,594)</u>

The notes are an integral part of this statement.

ST. GEORGE FIRE PROTECTION DISTRICT NO. 2
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA

Statement B

Statement of Activities
For the year ended September 30, 2013

		PROGRAM REVENUES			
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
EXPENSES:	EXPENSES				TOTAL
Public safety - fire protection:					
Personnel services and related benefits	\$ 14,051,901		1,097,689		\$ 12,954,212
Repairs and maintenance	441,588				441,588
Legal and professional	75,983				75,983
Insurance	230,602				230,602
Contractual services	655,485				655,485
Office supplies	12,083				12,083
Supplies	409,431		-		409,431
Rental (Note 8)	322,659				322,659
Utilities	194,232				194,232
Interest on long term debt	225,040				225,040
Depreciation	797,474				797,474
					-
Total governmental activities	17,416,479	-	1,097,689	-	16,318,790
Program revenues:					
Service charges					1,107,290
Net program expenses					15,211,500
GENERAL REVENUES:					
Ad valorem taxes					14,199,738
Intergovernmental revenues:					
State revenue sharing					313,381
Other grant					194,850
Fire insurance tax					345,920
Other					30,000
Interest income					40,956
Gain on sale of capital assets					124,554
Miscellaneous					10,249
Total general revenues					15,259,648
Changes in Net Position					48,148
Net Position:					
Beginning of the year					(112,742)
End of the year					\$ (64,594)

The notes are an integral part of this statement.

FUND FINANCIAL STATEMENTS

ST. GEORGE FIRE PROTECTION DISTRICT NO. 2
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA
BALANCE SHEET
GOVERNMENT FUNDS

Statement C

September 30, 2013

	<u>GENERAL FUND</u>
ASSETS	
Cash and cash equivalents	\$ 5,867,285
Receivable (Note 4)	83,077
Deposits	57,276
 TOTAL ASSETS	 \$ <u>6,007,638</u>
 LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable	\$ 99,930
Salary benefits payable	332,320
Deferred revenues	45,187
Note payable	<u>1,000,000</u>
	<u>1,477,437</u>
 Fund balances:	
Assigned	4,435,225
Unrestricted, reported in:	
General fund	<u>94,976</u>
 Total fund balance	 <u>4,530,201</u>
 TOTAL LIABILITIES AND FUND BALANCES	 \$ <u>6,007,638</u>

The notes are an integral part of this statement.

ST. GEORGE FIRE PROTECTION DISTRICT NO. 2
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA
RECONCILIATION OF THE GOVERNMENT FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION

Statement D

September 30, 2013

Total fund balances - governmental funds (Statement C)	\$	4,530,201
<p>The purchase of capital assets are reported as expenditures as they are incurred in the governmental funds. The statement of Net Position reports capital assets as an asset to the District. These capital assets are depreciated over their estimated useful lives in the Statement of Activities and are not reported in the governmental funds.</p>		
Cost of capital assets	\$	18,025,931
Less: Accumulated depreciation		<u>(4,977,239)</u>
		13,048,691
<p>Interest payable on long-term debt is not accrued in governmental funds; rather, it is recognized as an expenditure when due. These liabilities are reported in the statement of Net Position.</p>		
		(91,527)
<p>Loan fees that are amortized over the life of the loan for governmental fund and considered as expenditures in the year incurred for fund financial statements.</p>		
		(5,090)
<p>Prepaid cost that are considered an expenditure in the fund financial statements</p>		
		412,557
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental liabilities, except for portions payable early in the following year for which sufficient resources have been accumulated in the funds to liquidate the liabilities. These liabilities consist of:</p>		
Compensated absences payable	\$	(1,276,924)
Note payable		(8,662,672)
Net other post employment benefit obligation		<u>(8,065,018)</u>
		(18,004,614)
<p>Property taxes receivable will be collected this year, but are not available soon enough to pay for current period's expenditures, and therefore are deferred in the funds.</p>		
		<u>45,187</u>
Net Position (Statement A)	\$	<u><u>(64,594)</u></u>

The notes are an integral part of this statement.

ST. GEORGE FIRE PROTECTION DISTRICT NO. 2
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA

Statement E

Statement of Revenues, Expenditures,
and Changes in Fund Balance
Governmental Funds
For the Year Ended September 30, 2013

	<u>GENERAL FUND</u>
REVENUES:	
Ad valorem taxes	\$ 14,162,795
Service charge	1,107,290
Intergovernmental revenues:	
State revenue sharing	313,381
Fire insurance tax	345,920
Supplemental pay	919,316
Federal assistance grants	396,444
Other	30,000
Interest income	40,956
Miscellaneous	10,249
Total revenues	<u>17,326,351</u>
EXPENDITURES:	
Personnel services and related benefits	12,955,872
Repairs and maintenance	441,588
Legal and professional	75,983
Insurance	230,602
Contractual services	650,395
Office supplies	12,083
Supplies	409,431
Rental (Note 8)	322,659
Capital outlay	3,588,984
Utilities	194,231
Debt service:	
Principle	1,692,520
Interest and other charges	206,692
Total expenditures	<u>20,781,040</u>
Excess (deficiency) of revenues over expenditure	(3,454,689)
OTHER FINANCING SOURCES	
Sale of capital assets	346,385
Loan proceeds	<u>2,220,404</u>
Net changes in fund balance	(887,900)
Fund balance:	
Beginning of the year	5,418,101
End of the year	\$ <u><u>4,530,201</u></u>

The notes are an integral part of this statement.

ST. GEORGE FIRE PROTECTION DISTRICT NO. 2
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

Net change in fund balances-total governmental funds (Statement E)	\$	Statement F (887,900)
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Amounts reported for governmental activities in the statement of activities(Statement B) are different as follows:

Proceeds of certain long-term debt are reported as financial sources in governmental funds and thus contribute to the increase in fund balance. In the statement of Net Position, however, additional debt incurred increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the government funds but reduces the liability in the statement of Net Position. This amount by which payment of principal on this debt exceeds the proceeds form issuance of new debt:

Loans	1,711,949	
Interest accrual	(37,777)	
Loan proceeds	(2,220,404)	
		(546,232)

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on an accrual basis, expenses and liabilities are reported regardless of when financial resources are used. The net changes associated with these expenses/expenditures are as follows:

Compensated absences	(171,847)	
Pension and OPEB assets	(924,185)	
		(1,096,032)

In the statement of activities, a gain or loss on sales, trade-ins, proceeds received from dispositions of capital assets increases financial resources. Thus, the change in Net Position differs from the change in fund balance by the net book value of capital assets disposed.

(221,831)

Under the modified accrual basis of account used in the governmental funds, revenues are not recognized until funds are measurable and available to finance current expenditures. In the statement of activities, however, which is presented on the accrual basis, revenues are reported regardless of when financial resources are available. This is the net adjustment to current year revenue in converting to the full accrual basis.

8,633

Government funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over the estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation during the year.

	2,791,510	
	48,148	
	\$	

The notes are an integral part of this statement.

ST. GEORGE FIRE PROTECTION DISTRICT NO. 2
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA

Notes to Financial Statements
As of and for the Year ended September 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. INTRODUCTION

On December 31, 1993, the Metropolitan Council of the City of Baton Rouge and Parish of East Baton Rouge (City/Parish) created the Advisory Board as a Board of Commissioners that will govern the St. George Fire Protection District pursuant to Louisiana Revised Statutes 40:1491-1508 effective January 1, 1994. Article VI, Sections 15 and 19 of the Louisiana Constitution of 1974, authorized the Metropolitan Council to appoint 5 members to the Board of Commissions. *The Louisiana Constitution of 1974 permits the board member to be paid per diem attending the Board meetings and expenses in accordance with L.R.S. 40:1498; however, the board members are presently not being paid the permitted compensation.*

The St. George Fire Protection District No. 2 presently has eight stations to provide fire protection for individuals within their district. The District has approximately 169 employees.

Reporting Entity

As the governing authority of the parish, for reporting purposes, the City of Baton Rouge is the financial reporting entity for the Parish of East Baton Rouge. GASB Statement No. 14 established criteria for determining which component units should be considered part of the City of Baton Rouge and East Baton Rouge Parish for financial reporting purposes. The basis criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. The criteria includes:

1. Appointing a voting majority of an organizations governing body, and
 - a. The ability of the Metropolitan Council of the Parish of East Baton Rouge to impose its will on that organization and/or
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Metropolitan Council.
2. Organizations for which the Metropolitan Council does not appoint a voting majority but are fiscally dependent on the metropolitan council.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature of significant of the relationship.

Because the Metropolitan Council appoints the members of the Board of Commissions, the District was determined to be a component unit of the City of Baton Rouge and East Baton Rouge Parish, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the City of Baton Rouge and East Baton Rouge Parish, the general governmental units that comprise the financial reporting entity.

Basis of Presentation

The financial statements of the Board are prepared in accordance with accounting principles generally accepted in the United States of America. The Board's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Board may also apply all FASB pronouncements or interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements.

Government-Wide and Fund Financial Statements

In accordance with Government Accounting Standards Board Statement No. 34, the District has presented a Statement of Net Position and Statement of Activities for the district as a whole. These statements include the primary government and its component units, if applicable, with the exception of fiduciary funds. Those funds are reported separately. Government-Wide Accounting is designed to provide a more comprehensive view of the governments operations and financial position as a single economic entity. The Statement of Net Position and Statement of Activities are reported on the accrual basis of accounting.

Government-wide statements distinguish between governmental-type and business-type activities. Governmental activities are those financed through taxes, intergovernmental revenues and other non-exchange revenues and are usually reported in governmental and internal service funds. Business activities are financed in whole or in part through fees charged for goods or services to the general public and are usually reported in proprietary funds.

The fund financial statements provide reports on its financial condition and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

A fund is a separate accounting entity using the modified accrual method to report revenues and expenditures.

Funds of the District are classified as governmental funds. Governmental funds account for districts general activities, including the collection and disbursement of specific or legally restricted monies. Governmental funds of the district include:

General Fund--the general fund is the operating fund of the District and accounts for all financial resources, except those required to be accounted for in other funds.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-wide financial statements (GWFS) use the economic resources measurement focus and the accrual basis of accounting in the preparation of The Statement of Net Position and the Statement of Activities. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Governmental fund financial statements (FFS) for use the current financial resources measurement focus and a modified accrual basis of accounting. With the measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e. revenues and other financial sources and expenditures and other financial uses).

The modified accrual basis of accounting revenues in the accounting period they become both measurable and available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. For the district, available means expected to be received within a sixty days of fiscal year end. Measurable means the amount of the transaction can be determined and available means collectible when the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded in the accounting period when the related fund liability is incurred, if measurable, except for unmatured principal and interest on long-term debt which is recognized when due. Compensated absences and claims and judgments are reported in the governmental fund only if the claims are due and payable. The District considers all revenues available if they are collectible within 60 days after year end.

Revenues from local sources consist primarily of property taxes and service charges. Property tax revenues, service charges, and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Measurement Focus, Basis of Accounting and Financial Statement Presentation – Con't

Eliminating Internal Activity

Interfund receivables and payables are eliminated in the Statement of Net Position except for the net residual amounts due between governmental and business-type activities. These are presented as internal balances.

Capitalizing Assets

Assets used in operations with an initial useful life that extends beyond one year are capitalized. Equipment, furniture and fixtures, leasehold improvements, and buildings are depreciated over their estimated useful lives. Depreciation is not calculated on land, land improvements or construction in progress. Accumulated depreciation is recorded at net of depreciable assets in the Statement of Net Position.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash includes amounts in demand deposits, interest bearing demand deposits, and time deposits. Cash equivalents include amounts in time deposits that mature within 90 days after year end and other investments with original maturities of 90 days or less. Under state law, the district may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or under the laws of the United States.

Under state law, the districts may invest in United States bonds, treasury notes, or certificates. These are classified as investments if their original maturities exceed 90 days. However, if the original maturities are 90 days or less, they are classified as cash equivalents.

Sinking Fund – is a separate cash account required by a lending institution. Monthly payments of \$32,500 are being made by the District and placed in this account to cover the loan payments due in November and May of each year. The May payment is an interest only payment while the payment for November is for principle and interest. All loan payments are deducted from this account.

Revenues and deferred revenues

Property taxes and the service charge are recorded on the modified accrual basis and, therefore, recorded when they are both measurable and available. These revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the fiscal year. The calendar of events for the 2012, ad valorem tax roll was as follows:

	Service charges
	And
	<u>Ad valorem taxes</u>
Levy date	January 1, 2013
Due date	December 31, 2013
Lien date	January 1, 2014
Collection date	December 3, 2013

Deferred revenues are those property taxes that have not met the "available" criteria and funds received from grants that have not been used.

State revenue sharing revenues and the 2% fire insurance tax protection rebate are recorded when the district is entitled to the funds.

Program Revenues

The Statement of Activities presents two categories of program revenues - (1) charges for services and (2) operating grants and contributions. Charges for services - are revenues from exchanges or exchange like transactions with external parties that purchase, use or directly benefit from the programs goods, services, or privileges. These revenues include fees charged for specific services, licenses and permits, and operating special assessment, and include payments from exchange transactions with other governments.

Operating grants and contributions - are resources that are restricted for operating purposes of a program. They include grants and contributions with restriction that permit the resources to be used for a programs operating of capital needs at the recipient governments discretion. If multipurpose contributions and grants that provide financing for more than on program are specifically identified, they are included as program revenues. Reported as a contribution is the supplemental salary paid to the firefighters by the State of Louisiana and federal assistance reimbursing the District for salaries and related benefits.

Expenditures

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Compensated absences are recognized as expenditures when leave is actually taken or when the employees (or heirs) are paid for accrued leave upon termination or death, while the cost of leave privileges not requiring current resources are recorded as a long-term debt.

Other Financing Sources (Uses)

Proceeds from the sale of fixed assets and debt acquired for the construction and purchase of fixed assets are accounted for as other financing sources and are recognized when received. Fixed assets acquired through capital leases are recorded as expenditures and other financing sources at the time of acquisition.

H. CAPITAL ASSETS

Capital assets purchased in excess of \$500 are recorded at historical cost and depreciated over their estimated useful lives (excluding salvage value). Estimated useful live is managements estimate of how long the asset is estimated to meet service demands. A salvage value of ten percent of historical cost has been assigned to the buildings and vehicles. Straight line depreciation is used based on the following estimated useful lives:

Buildings	40 years
Furniture	5-7 years
Equipment	5-10 years
Vehicles	5 years

Approximately 99.3 per cent of the assets are valued at historical cost and .7 per cent are valued at estimated cost based on vendor estimates of prices at the time of purchase.

F. BUDGET PRACTICES

The proposed budget for 2012 - 2013 was made available for public inspection on August 29, 2013. The proposed budget, prepared on the modified accrual basis of accounting, was published in the official journal ten (10) days prior to the public hearing, which was held at the St. George Fire Station on Perkins Road on September 13, 2013, for the comments from taxpayers. The budget is legally adopted and amended, as necessary, by the Board of Commissions.

All expenditure appropriations lapse at year end. Unexpended appropriations and any excess revenues over expenditures are carried forward to the subsequent year as beginning fund balance.

Formal integration of the budget into the accounting records is employed as a management control device. Budget amounts included in the accompanying financial statements include the original adopted budget and all subsequent amendments, if any.

I. COMPENSATED ABSENCES

This fire district has the following policy relating to vacation and sick leave:

Employees of this fire district earn from 1.5 to 2.5 days of annual leave each month and from 7.5 to 11 hours of sick leave each work period, depending on their length of service; however, before vacation time can be used, a waiting period of 360 calendar days must be completed. Every fireman employed by the fire protection district, shall be entitled to full pay during sickness or incapacity not brought about by his own negligence or culpable indiscretion for a period of not less than fifty-two weeks. Upon termination of employment, employees are paid for accrued annual leave up to the maximum accrual authorized. The plan assets remain the property of the fire district until paid or made available to participants, subject only to claims of the employer's general creditors.

The cost of leave privileges is recognized as a current-year expenditure in the General Fund when leave is actually taken. The cost of leave privileges not requiring current resources is recorded as a long-term debt as a governmental activity.

J. FUND EQUITY

GASB 54 Statement No. 54 establishes standards for five fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of resources reported in government funds. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned and unassigned,

Restricted Fund Balance – This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the Board – the highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Board removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual requirements.

Assigned Fund Balance – These are amounts that are constrained by the Board's *intent* to be used for specific purposes, but are neither restricted nor committed. The board's management has the authority to assign amount to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned Fund Balance – This fund balance is the residual classification for the general fund. This represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

When both restricted and unrestricted resources are available for use, it is the board's policy to use externally restricted resources first, then unrestricted resources – committed, assigned, and unassigned – in order as needed.

2. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS

For reporting purposes, deposits with financial institutions include savings, demand deposits, time deposits, and certificates of deposits. Under state law these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The depository bank places approved pledged securities for safekeeping and trust with the District's in an amount sufficient to protect Districts funds on a day-to-day basis. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposits Insurance Corporation (FDIC) Insurance.

	Amount
Bank deposits in bank accounts per balance sheet	\$ <u>5,867,285</u>
Bank balances of deposits exposed to custodial credit risk	
a. Uninsured and uncollateralized	\$
b. Uninsured and collateralized with securities held by the pledging institution	
c. Uninsured and collateralized with securities held by the pledging institutions	
trust department or agent but not in the entities name	<u>5,950,234</u>
Total bank balances exposed to custodial credit risk	\$ <u>5,950,234</u>
Total bank balances	\$ <u>6,200,234</u>

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. The District does not have a deposit policy for custodial credit risk. As of September 30, 2013, the District's bank balance was secured from risk by federal deposit insurance and pledged securities and was not exposed to custodial credit risk.

Included in the above bank balance is a loan that was obtained and assigned for the purpose of constructing a fire station, an administrative facility and a training facility. These funds were placed in a separate account and are to be used to finance the construction of this facility. The remaining balance in the account that has been dedicated to this project is \$4,435,000.

3. LEVIED TAXES AND CHARGES

	AUTHORIZED MILLAGE/RATE	LEVIED MILLAGE	EXPIRATION DATE
Ad valorem taxes			
- Property taxes	4.00	4.00	2023
- Property taxes	6.00	6.00	2017
- For salaries and related benefits	1.25	1.25	2021
- Capital improvements	1.25	1.25	2015
- Capital improvements and debt service	1.50	1.50	2016
Service charge (maximum rate)	\$32.00	N/A	2021

The above assessments are as of the 2012 assessment roll. The grand recapitulation of the assessment roll added an addition tax of 1.25 millage for the construction of a new fire station, training facility and make other capital improvements.

4. RECEIVABLES

Receivables as of September 30, 2013, are as follows:

Ad valorem taxes	\$	1,295,117
Service charges		<u>26,463</u>
		1,321,580
Less: Allowance for bad debts		<u>1,249,888</u>
		71,692
Sale of surplus capital assets		<u>11,385</u>
	\$	<u>83,077</u>

Grant revenues include paid reimbursements of \$178,374 from the Federal Agency Department of Homeland Security for additional employees to increase the number of firefighters in local communities and to help them meet industry minimum standards and attain 24/7 staffing for adequate protection against fire and fire-related hazards, and fulfill related roles associated with fire departments. A second grant for \$194,850 was for the purchase of equipment.

5. CAPITAL ASSETS

	Beginning Balance	Additions	Deletions	Ending Balance
Land	\$ 2,382,730	-	-	2,382,730
Building	5,151,725	40,560	-	5,192,285
Construction in progress	-	962,605	-	962,605
Furniture	136,532	-	-	136,532
Vehicle	441,655	76,200	58,128	459,727
Equipment	7,471,349	2,509,619	1,088,917	8,892,051
	<u>15,583,991</u>	<u>3,588,984</u>	<u>1,147,045</u>	<u>18,025,930</u>

Accumulated depreciation:

	Beginning Balance	Adjustments	Additions	Deletions	G-1b Ending Balance
Building	1,108,373	1,769	127,001		1,237,143
Furniture	76,416		15,391		91,807
Vehicle	404,527	(119,646)	61,427	45,041	301,267
Equipment	3,515,663	117,877	593,655	880,173	3,347,022
	<u>5,104,979</u>	<u>(0)</u>	<u>797,474</u>	<u>925,214</u>	<u>4,977,239</u>
Capital assets, net	\$ <u>10,479,012</u>				<u>13,048,691</u>

6. DEFERRED REVENUES

Deferred revenues are property taxes that did not meet the "available" criteria for recording revenues in the governmental fund financial statements.

7. LONG-TERM LIABILITIES

The following is a summary of the long-term obligations during the year ended September 30, 2013:

<u>Fund Activity</u>	Beginning Balance	Additions	Deletions	Ending Balance	Amounts due Within One Year
Note payable	\$ 1,250,000	4,950,000	5,200,000	1,000,000	1,000,000
<u>Government Activities</u>					
Compensated absences	1,105,077	1,077,701	905,854	1,276,924	900,000
Regions Bank	2,730,000			2,730,000	390,000
Equipment loan:					
Pumpers	747,289		106,109	641,180	100,276
2-Aerial Mounted Ferrara Igniter		1,415,851	203,911	1,211,940	189,824
2013 Rescue & Tanker		804,553		804,553	108,931
Revenue bond series 2011	4,300,000		1,025,000	3,275,000	1,060,000
	<u>\$ 10,132,366</u>	<u>8,248,105</u>	<u>7,440,874</u>	<u>10,939,597</u>	<u>3,749,031</u>

The short-term loan in the fund activities was used for operational requirements during the year.

An equipment lease was originally issued October 17, 2012, with an original balance of \$1,415,851 payable over a 7 year period bearing interest at a rate of 2.48% for the purpose of purchasing fire- fighting equipment. Payment of \$219,880 is made annually.

An equipment lease was originally issued June 28, 2013, with an original balance of \$804,553 payable over a 7 year period bearing interest at a rate of 3.478% for the purpose of purchasing fire-fighting equipment. Payment of \$130,789 is made annually.

An equipment lease was originally issued September 12, 2013, with an original balance of \$747,289 payable over a 5 year period bearing interest at a rate of 2.54% for the purpose of purchasing fire-fighting equipment. Payments of \$116,561.95 are made annually.

A Note payable-Series 2012 was issued September 26, 2013, with an original balance of \$2,730,000 with a maturity date of November 2019, with an interest rate of 1.7063% for the purchase of paying off two other notes are secured by and payable from a pledge and dedication of the excess of annual revenues sufficient for the payment of this loan in principal and interest as they shall respectively become due and payable. Annual payments are made against principal of \$390,000. The lending institution requires the District to make monthly payments of \$32,500 that are being placed in a separate account labeled as a sinking fund. Payments are due on this loan May 1 and November 1 of each year payable from the sinking fund. The balance at year end of the sinking fund was \$376,929.27.

A Note payable- Series 2011 originally issued June 2011, with an original balance of \$5,400,000 payable over a period of 5 years bearing interest at a rate not to exceed 3% for the purpose of constructing a fire station, an administrative facility and a training facility including all necessary furnishings and equipment pledged by proceeds of the 1.25 mills ad valorem tax approved by the voters on November 2, 2010 and first placed on the tax roll for 2011 and expires 2015. The total taxes received from this mileage during the year were \$1,265,000 while the principle and interest requirements were \$1,072,229. The annual payments are indicated below. During the year, \$971,000 of the funds was used to begin construction of the facility. The remaining balance in the bank account that has been dedicated for the construction project is \$4,435,000.

ST. GEORGE FIRE PROTECTION DISTRICT NO. 2
Baton Rouge, Louisiana
Notes to the Financial Statements (Continued)

The five year annual requirements to amortize the above certificates outstanding at September 30, 2013, including interest are as follows:

Year Ending	Principle Payments	Interest Payments	Total	Note payable - 2011			Total Activity
				Principle Payments	Interest Payments	Total	
2014	789,030	89,597	878,627	1,060,000	98,250	1,158,250	2,036,877
2015	793,404	97,546	890,950	1,090,000	66,450	1,156,450	2,047,400
2016	804,611	86,337	890,948	1,125,000	33,750	1,158,750	2,049,698
2017	816,139	68,289	884,428	-	-	-	884,428
2018	827,997	49,916	877,913	-	-	-	877,913
Years 2019-2020	1,356,491	47,857	1,404,348	-	-	-	1,404,348
	<u>\$ 5,387,672</u>	<u>439,541</u>	<u>5,827,213</u>	<u>3,275,000</u>	<u>198,450</u>	<u>3,473,450</u>	<u>9,300,663</u>

8. OPERATING LEASES

The reporting entity has entered into several operating leases for the rental of three buildings and equipment. For the year ended, rental expenditures with lease agreements exceeding a year were approximated \$322,659. Minimum lease payments for the next five years are as follows:

2014	176,256
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Annual rental fees of fire hydrants were approximately \$94,000 for the year, there is not a lease agreement for this equipment. The leasing of this equipment is mandated by the City Parish of Baton Rouge in an agreement with the water companies. This annual rental fee for these hydrants has occurred since 1969.

9. PENSION PLAN

Plan Description

Effective January 1, 1999, there are two retirement plans. Those employees hired before January 1, 1999, are covered by the Employees Retirement System of the City of Baton Rouge and Parish of East Baton Rouge while those employees hired after December 31, 1998 are members of the Firefighters Retirement System. On July 1, 2007, the employees that were covered by the Employees Retirement System were given the option to remain with this system or transfer their accumulated benefits to the Firefighters Retirement System. All but 1 of the plan participants transferred to the Firefighters Retirement System.

Substantially all full-time employees of St. George Fire Protection District No. 2 are members of the respective plan depending on their date of employment. Both retirement systems are a multiple-employer (cost-sharing), deferred benefit pension plan administered by a separate board of trustees.

All full-time employees of the District become a member of the Retirement System. The pension plan provides retirement benefits, as well as death and disability benefits. All benefits of the Employees Retirement System are vested after 10 years of service. Minimum benefits are payable on the attainment of age 55 for all employees with a minimum of 10 years of service or 20 years of service at any age. Full retirement benefits are payable with 25 years of service, regardless of age. Benefits, depending upon the number of years of service, are either 22% or 3% of average compensation times the number of years creditable service. Benefits cannot exceed 90% of average compensation.

The benefits of the Firefighters Retirement System are available to employees with 20 years or more years of service who have attained age 50 or employees who have 12 years of service who have attained age 55 or 25 years of service at any age. Benefits equal to 3 1/3% of the employees average compensation based on the 36 consecutive months of highest pay multiplied by their total year of service, not to exceed 100%.

Disability Benefits

Pension provisions of the Employees Retirement System include both service connected and ordinary disability benefits. Under a service connected disability, the disabled employee is entitled to receive 50 percent of average compensation, plus an additional factor for each year of service in excess of ten years. Under an ordinary disability, ten or more years of service to receive 50 percent of average compensation or 2 1/2% times the number of years of creditable service, whichever is greater. Disability benefits cease at the death of the disabled employee.

Active contributing employees are entitled to disability benefits under the provisions of the Firefighters Retirement System. Any employee under the age of 50 who becomes totally disabled in the line of duty will receive 60% of their compensation, or 75% of their accrued retirement benefit with a minimum of 25% of average salary for an injury received, even though not in the line of duty. Any employee age fifty or older who becomes totally disabled from an injury sustained in the line of duty is entitled to the greater of 60% of compensation or their accrued retirement benefit. An employee age fifty or older who becomes totally disabled as a result of any injury, is entitled to benefits equal to their accrued retirement benefit with a minimum of 25% of average salary.

The pension provisions of the Employees Retirement System for a qualifying spouse will receive 50 percent of the retired employees pension amount. Should an employee die before retirement, a qualifying spouse may receive an actuarially computed benefit based on the employees calculated benefit, if eligible; or \$600 per month plus \$150 per month for each minor child, if the employee was not eligible for benefits at time of death.

Survivor Spouse Benefits

Survivor spouse benefits under the Firefighters Retirement System are entitled to an annual benefit equal to two-thirds of the deceased employees compensation if the employee's death is in the line of duty. If a member dies from a cause not in the line of duty, the surviving spouse is entitled to an annual benefit of 3% of the deceased employees average compensation multiplied by their total years of creditable service. In no event is the annual benefit less than 40% or more than 60% of the deceased employees average final compensation.

Both of these Systems issue an annual publicly available financial report that includes financial statements and required supplementary information for the Systems. The respective reports may be obtained by writing to the Employees Retirement System, City of Baton Rouge and Parish of East Baton Rouge, Post Office Box 1471, Baton Rouge, Louisiana 70821 or by calling (225) 389-3272 or the Firefighters Retirement System, 3100 Brentwood Drive, Baton Rouge, Louisiana 70809 or by calling (225) 925-4060.

Funding Policy

Plan members of the Employees Retirement System are required by the plan to contribute 9.5 percent for 2013, 2012 and 2011 of their gross pay while the employer contribution rate as of September 1, 2013 was 29.44%, January 1, 2012, was 28.56%, December 1, 2011 was 27.66%, 24.93% as of January 1, 2010, and 21.44% as of January 1, 2009. The contribution requirements of plan members and the St. George Fire Protection District No. 2 are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior year. The contributions by the District and plan participants for the years ended September 30, 2013, 2012 and 2011, were \$25,922, \$66,030, and \$63,240, respectively, equal to the required contributions for each year.

Plan members of the Firefighters Retirement System are required by the plan to contribute 10% effective January 1, 2012 and 8 percent for year 2011 and 2010. The employer rate as of July 1, 2013 was 28.25%, July 1, 2012 was 24%. 23.25% as of July 1, 2011, and 21.5% as of January 1, 2010, of the annual covered payroll. The contributions paid by the District and plan participants for the years ended September 30, 2013, 2012 and 2011, were \$3,006,971, \$2,781,178, and \$2,551,722, respectively, equal to the required contributions for each year. This System also receives funds from insurance premium taxes each year as appropriated by the Legislature. These taxes are used as additional employer contributions.

10. OTHER POST-EMPLOYMENT BENEFITS

Plan Description. In addition to providing pension benefits, St George Fire District No. 2 has elected to provide healthcare and dental benefits, as a single-employer defined benefit healthcare and dental plan to eligible retirees and their spouses. The plan provides postemployment healthcare and dental benefits to retirees of ST. George Fire District No. 2 with 20 years or more years of service who have attained age 50 or employees who have 12 years of service who have attained age 55 or 25 years of service at any age. Retirees are eligible to receive the same benefits as active employees until such time as the retiree becomes eligible for Medicare.

St George Fire District No. 2 pays 61% for the retiree's health insurance and 60% of the cost of the dental insurance as incurred on a pay-as-you-go basis. The retirees are responsible for the difference. ST George Fire District No. 2 Also, retirees can purchase coverage for their spouse and/or dependents if they were included on their policy 5 years before retiring.

There are presently 131 active members for the healthcare plan and 148 active members for the dental plan with 6 retirees and 3 spouses receiving benefits.

Retiree may continue their coverage paying the same premiums and receiving the same benefits as they did five years before their retirement.

Funding Policy. St George Fire District No. 2 pays 61% for the retiree's health insurance and 60% of the cost of the dental insurance as incurred on a pay-as-you-go basis. The retirees are responsible for the difference. ST George Fire District No. 2 The plan participant is responsible for 39% of health insurance premiums and 40% of dental plan premiums. The health/dental plan was funded with employer and retiree payment of the premiums on a pay-as-you-go method.

There are no employer or retiree contributions to the OPEB plan. The insurance premiums paid during the year for the retirees were \$55,785 paid by the employer and \$21,111 paid by the retirees.

Annual OPEB cost and net OPEB obligation. The District's annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortized an unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the actual amount contributed to the plan, and changes in the district's net OPEB obligation to plan.

Annual required contribution (ARC)	\$ 1,150,644
Interest on net OPEB obligation	285,633
Adjustment to ARC	(439,518)
Annual OPEB cost (expense)	996,759
Less: Contributions made	(72,574)
Increase in net OPEB obligation	924,185
Net OPEB obligation-beginning of year	7,140,833
Net OPEB obligation-end of year	\$ 8,065,018

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the three years were as follows. The information for the year ended 9/30/13, was calculated by an actuary and estimated for the year 9/30/12 and 9/30/2011.

Post Employment Benefit	Fiscal Year Ended	Annual OPEB cost	Percentage of Annual OPEB Cost Contributed	Increase (Decrease) to net OPEB Obligation	Net OPEB Obligation
Medicall and Life	09/30/13	996,759	7.28%	924,185	8,065,018
Medicall and Life	09/30/12	977,916	5.23%	957,263	
Medicall and Life	09/30/11	1,119,030	4.37%	1,119,030	

10. OTHER POST-EMPLOYMENT BENEFITS (Con't)

Funding Status and Funding Progress. In the fiscal year September 30, 2013, the District made no contributions to its post-employment benefits plan. The plan is not funded, has no assets and hence has a funded ratio of zero. Based on the October 1, 2013 actuarial valuation, the most recent valuation, the Actuarial Accrued Liability (AAL) at the end of the fiscal year was \$7,596,544 which is defined as that portion of the actuarial present value of post-employment plan benefits and expense which is not provided by normal cost. The funding status of the plan as of September 30, 2013, from the most recent actuarial valuation shows the plan is unfunded by \$7,596,544. The covered payroll (annual payroll of active employees covered by the plan) was \$8.1 million and the ratio of the UAAL to the covered payroll was 93.49%. For the plan year ended September 30, 2010, retirees would no longer qualify for OPEB benefits once they have reached age 65. This change has decreased the annual UAAL by almost 50%. The first year effected was the year September 30, 2010.

Actuarial Methods and Assumptions. Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funding status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The actuarial calculations are based on the types of benefits provided under terms of the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. Consistent with the long-term perspective of actuarial calculations, the actuarial methods and assumptions used included techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Actuary Methods and Significant Assumptions Used to Determine ARC. The actuary used the attained age actuarial cost method to determine the ARC assuming that 95% if the retirees and 85% of the spouses will elect the healthcare coverage. The age-related turnover rate based on actual experience used was 10%. The mortality table used is the RP 2000 Mortality Table projected to 2015 with Scale AA Other assumptions are as follows:

Annual health care cost trend rates. An annual initial rate of 10%, reduced by decrements to an ultimate rate of 4% after 5 years, the annual coast per individual are as follows

Age	
50	\$ 6,929
55	8,032
60	9,312
64	10,480
65+	3,966

Method of Determining Value of Benefits. The valuation was based on provisions of the substantive plan. Retiree dollar cost sharing provisions of the plan were expected to be increased in the future according to the healthcare cost trend rates shown above.

Unfunded Actuarially Liability. The agency's unfunded actuarial accrued liability is being amortized using both a level dollar amount and a level dollar basis over an amortization period of 25 years. The amortization of actuarial present value of future normal coast is over the average future service of the employee group. For the years ended September 30, 2012 and 2011, the actuary did not determine the OPEB expense, however, the same method was used to estimate the OPEB cost and liability for the respective years.

10. OTHER POST-EMPLOYMENT BENEFITS (Con't)

Actuarial Value of Plan Assets ~ None

Projected Salary Increases. This assumption is not applicable since neither the benefit structure nor the value methodology involves salary.

Investment Return Assumption (Discount Rate). GASB Statement 45 states that the investment return assumption should be the estimated long-term investment yield on the investments that are expected to be used to finance the payment of benefits (that is, for a plan which is funded). Based on the assumption that the ARC will not be funded, a 4% annual investment rate has been used in this valuation.

11. EXPENSES PAID BY OTHERS:

The full-time firefighters of the fire department receive supplemental pay from the State of Louisiana under the provisions of L.R.S. 33:2002. Each full-time firefighter after their second year of service, received \$500 per month. These supplemental state funds are paid directly to the firefighters, and do not pass through the fire department, they are included in total salaries and as revenue.

12. LITIGATION

The suit involves a former employee that was terminated by the Fire Chief. The employee, who was classified civil servant, appealed to the Civil Service Board. The Civil Service Board affirmed the termination. The employee subsequently appealed to a Louisiana district court, and is seeking reinstatement and back pay. The Company's insurer has hired counsel to defend this matter, and it is being vigorously fought. While it appears that the Company has a strong chance of winning this case, it does involve some novel issues that make the outcome less predictable than usual. If the employee prevails, he would receive back pay with interest from the date of his termination until present. Such an award could be in the \$150,000 range and may not be covered by the Company's insured.

BOARD OF COMMISSIONERS

The District is government by a Board of Commissioners. The members receive no compensation or per diem allowances for their services. Below is a list of the Board members and their respective titles:

Mr. Johnny R Suchy	Chairman
David Carnes	Secretary
Gary T. Durham	Board Member
Charles Heath	Board Member
Darrell P Ourso	Board Member

OTHER SUPPLEMENTAL INFORMATION AND REPORTS REQUIRED BY
GOVERNMENT AUDITING STANDARDS

The following pages contain a budget comparison schedule and reports on compliance and internal control over financial reporting based on an audit of financial statements performed in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. The report on compliance internal control over financial reporting is based solely on the audit of the financial statements and includes, where appropriate, any reportable conditions and/or material weaknesses.

ST. GEORGE FIRE PROTECTION DISTRICT NO. 2
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA

Budget Comparison Schedule (Non-GAAP budgetary basis) - General fund
For the Year Ended September 30, 2013

	BUDGET			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL	
REVENUES:				
Ad valorem taxes and service charges	\$ 15,314,660	15,172,990	15,270,084	\$ 97,094
Fire insurance tax	350,000	350,000	345,920	(4,080)
Intergovernmental revenues	1,259,306	1,259,306	1,262,697	3,391
Grant	325,000	607,009	396,444	(210,565)
Interest income	41,500	41,500	40,956	(544)
Other	78,300	78,300	10,249	(68,051)
Total revenues	17,368,766	17,509,105	17,326,351	(182,756)
EXPENDITURES:				
Personnel services and related benefits	13,353,416	13,328,603	12,955,872	(372,731)
Repairs and maintenance	322,930	322,930	441,588	118,658
Legal and professional	44,000	44,000	75,983	31,983
Insurance	200,340	200,340	230,602	30,262
Contractual services	630,110	630,110	650,395	20,285
Office supplies	4,240	4,240	12,083	7,843
Supplies	293,250	293,250	409,431	116,181
Rental	319,440	319,440	322,659	3,219
Capital outlay	5,731,200	5,148,473	3,588,984	(1,559,489)
Utilities	199,870	199,870	194,231	(5,639)
Debt service	1,695,610	1,950,611	1,899,212	(51,399)
Other	1,040	1,040	-	(1,040)
Total expenditures	22,795,446	22,442,907	20,781,040	(1,661,867)
EXCESS REVENUES (DEFICIENCY) OVER OTHER SOURCES OVER EXPENDITURES AND OTHER USES				
	(5,426,680)	(4,933,801)	(3,454,689)	1,479,111
OTHER FINANCING SOURCES				
Sale of capital assets	200,000	200,000	346,385	146,385
Loan proceeds	-	-	2,220,404	2,220,404
	(5,226,680)	(4,733,801)	(887,900)	3,845,900
FUND BALANCES AT BEGINNING OF YEAR				
	5,418,101	5,418,101	5,418,101	
FUND BALANCES AT END OF YEAR				
	\$ (8,579)	684,299	4,530,201	\$ 3,845,900

Reconcile budget to GAAP basis:

Budget Basis	\$ (887,900)
Personal services and related benefits	(1,096,032)
Revenues	8,633
Proceeds from loan	(2,220,404)
Sale of capital assets	(221,831)
Capital Outlay	3,588,984
Debt service	1,899,212
Depreciation expense	(797,474)
Interest expense	(225,040)
GAAP Basis	<u>\$ 48,148</u>

ST. GEORGE FIRE PROTECTION DISTRICT NO. 2
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA

Notes to Required Supplementary Information
For the Year Ended September 30, 2013

Summary of Significant Variances in the Budget

Budgetary Process

The proposed budget for 2012 - 2013 was made available for public inspection on August 27, 2013. The proposed budget, prepared on the modified accrual basis of accounting, was published in the official journal ten (10) days prior to the public hearing, which was held at the St. George Fire Station on Perkins Road on September 13, 2013, for the comments from taxpayers. The budget is legally adopted and amended, as necessary, by the Board of Commissions.

All expenditure appropriations lapse at year end. Unexpended appropriations and any excess revenues over expenditures are carried forward to the subsequent year as beginning fund balance.

Budgetary Basis of Accounting

The District's budgetary process accounts for certain transactions on a basis other than GAAP. The basic differences arise through the employment of a basis of accounting for budgetary purposes which differs from basis of accounting applicable to the fund type when reporting on the operations in accordance with GAAP.

Grant

Grant revenues include paid reimbursements of \$178,374 from the Federal Agency Department of Homeland Security for additional employees to increase the number of firefighters in local communities and to help them meet industry minimum standards and attain 24/7 staffing for adequate protection against fire and fire-related hazards, and fulfill related roles associated with fire departments. A second grant for \$194,850 was for the purchase of equipment.

ST. GEORGE FIRE PROTECTION DISTRICT NO. 2.
SCHEDULE OF FUNDING PROGRESS FOR MPHP

The schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits as follows:

	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAAL)- Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll Covered (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
Actuary	9/30/2013	\$0	8,065,018	7,596,544	0%	8,125,729	93.49%
Estimated	9/30/2012	\$0	7,140,833	7,140,833	0%	6,200,964	115.16%
Estimated	9/30/2011	\$0	6,183,570	6,183,570	0%	6,200,964	99.72%

The Board of Commissioners changed the post retirement benefit plan that once a retiree reached 65 years of age and qualified for Medicare, they would no longer qualify for the post retirement benefits offered by St. George Fire District No. 2. This amendment resulted in a decrease of AAAL by over 50%. This change was effective for the year ended September 30, 2010.

MICHAEL K. GLOVER
CERTIFIED PUBLIC ACCOUNTANT
(A Professional Accounting Corporation)
9497 BROOKLINE
BATON ROUGE, LOUISIANA 70809
(225) 295-1860

Report on Internal Control over Financial Reporting and On Compliance and
Other Matters Based on an Audit of the Financial Statements Performed in
Accordance with *Government Auditing Standards*

Independent Auditor's Report

Board of Commissioners
St. George Fire Protection District No. 2
Baton Rouge, Louisiana

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the government activities of St. George Fire Protection District No. 2, a component unit of the City of Baton Rouge, East Baton Rouge Parish, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the St. George Fire Protection District No. 2 basic financial statements and have issued my report thereon dated April 7, 2014.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the St. George Fire Protection District No. 2 internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of St George Fire Protection District No. 2 internal control. Accordingly, I do not express an opinion on the effectiveness of St George Fire Protection District No. 2 internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I considered to be material weakness. However, material weaknesses or significant deficiencies may exist that have not been identified

Compliance and Other Matters

As part of obtaining reasonable assurance about whether St. George Fire District No. 2, a component unit of the City of Baton Rouge, East Baton Rouge Parish, financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective on my audit and, accordingly, I do not express such an opinion. The results of my test disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of the report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Michael K. Glover APAC
Baton Rouge, LA
April 7, 2014

ST. GEORGE FIRE PROTECTION DISTRICT NO. 2.
SCHEDULE OF FINDINGS AND QUESTIONED COST
FOR THE YEAR ENDED SEPTEMBER 30, 2013

Summary of Auditor's Results

Financial statements

Type of auditor's report issued

Unqualified

Internal control over financial reporting:

-Material weaknesses identified

_____ yes x no

-Significant deficiency(ies) identified not considered to be material Weakness(es)

_____ yes x none reported

Noncompliance material to financial statements

_____ yes x no

Was a management letter issued

_____ yes x no

Financial Statements Findings - None

ST. GEORGE FIRE PROTECTION DISTRICT NO. 2.
SUMMARY OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

None